

**DEPARTMENT OF CONSERVATION AND RECREATION
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

This report contains the results of our audit of the Department of Conservation and Recreation including the Virginia State Parks Foundation, the Virginia Outdoors Foundation, and the Virginia Land Conservation Foundation for the year ended June 30, 1999.

We found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- internal control matters that we consider reportable conditions, but not material weaknesses;
- no material instances of noncompliance with applicable laws and regulations tested that are required to be reported; and
- adequate implementation of corrective action on prior audit findings.

We recommend:

- the Department develop procedures to adequately test Integrated Decision and Support System program changes;
- the Virginia Outdoors Foundation accurately record and report financial information.

- TABLE OF CONTENTS -

AUDIT SUMMARY

INDEPENDENT AUDITOR'S REPORT

AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

Department of Conservation and Recreation

Foundations

AGENCY OFFICIALS

March 31, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Conservation and Recreation**, including the Virginia State Parks Foundation, the Virginia Outdoors Foundation, and the Virginia Land Conservation Foundation for the year ended June 30, 1999. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues and Cash Receipts
Expenses
Capital Outlay

Grants Management
Cash and Investments

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department of Conservation and Recreation, the Virginia State Parks Foundation, the Virginia Outdoors Foundation, and the Virginia Land Conservation Foundation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in each agency's financial records. The Department and the Foundations record their financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and each agency's financial records.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions for the Department of Conservation and Recreation and the Virginia Outdoors Foundation. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the agencies' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. Reportable conditions, entitled "Testing of Program Changes" and "Properly Record and Report Financial Information," are described in the sections titled "Department of Conservation and Recreation" and "Foundations," respectively. We believe that none of the reportable conditions is a material weakness.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Department has taken adequate corrective action with respect to the audit findings reported in the prior year.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on May 10, 2000.

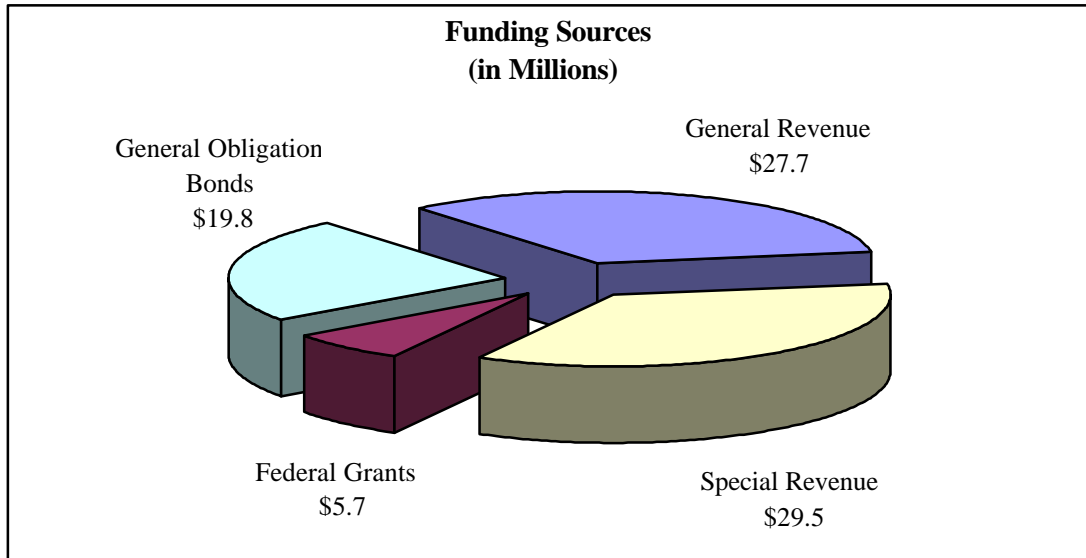
AUDITOR OF PUBLIC ACCOUNTS

JMS:aom
aom:76

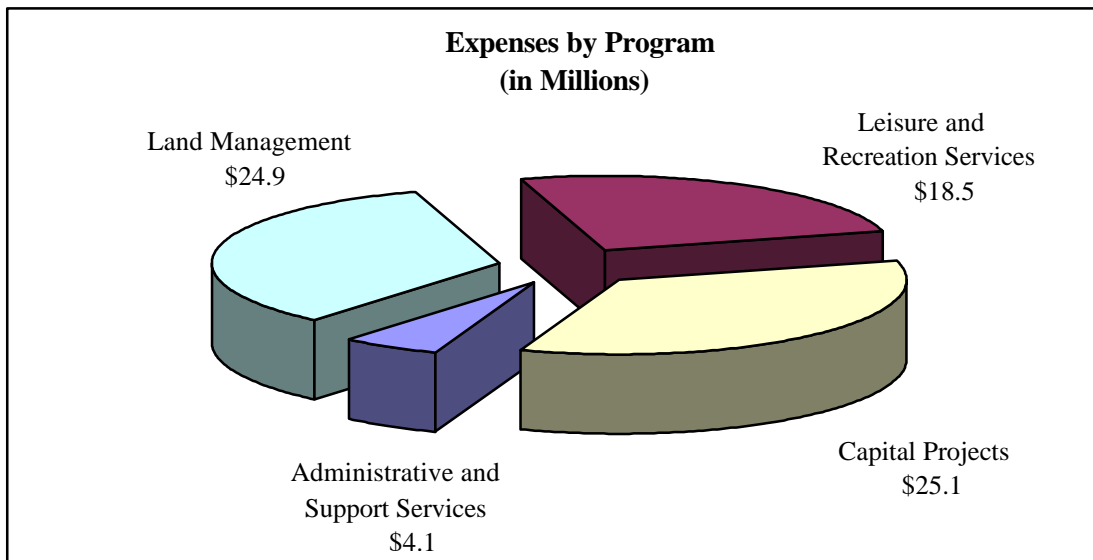
AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

DEPARTMENT OF CONSERVATION AND RECREATION

The Department of Conservation and Recreation's programs seek to conserve, protect, enhance, and advocate the use of the Commonwealth's unique natural, historic, recreational, scenic, and cultural resources. Funding for fiscal year 1999 totaled more than \$82 million; which consisted of general, special, and federal revenues, as well as general obligation bond proceeds. The following chart illustrates the total funding for the year.



The Department spent approximately \$73 million on programs and administrative support during fiscal year 1999. The following chart shows total expenses for these programs for the year.



The Department has seven divisions: State Parks, Soil and Water Conservation, Dam Safety, Natural Heritage, Planning and Recreation Resources, Administration, and Finance.

State Parks

The Division of State Parks operates 28 state parks, 6 historic sites and natural areas. Through interpretive and environmental education programs at state parks, staff provide information to visitors to help them learn to conserve and protect the environment. State Parks provide outdoor recreational activities including camping, hiking, biking, horseback riding, boating, fishing, swimming, and rental cabins. In addition, some parks have visitor centers, conference facilities, and environmental education centers. State Parks derives revenue from various sources including timber sales, state park admission, parking, and swimming fees; cabin, campsite, picnic shelter, conference facility, and boat rentals; as well as food, beverage and merchandise retail sales. Revenues from these activities totaled \$6.1 million in fiscal year 1999. The sale of other state agencies' personal and real surplus property provided an additional \$2.2 million for the State Parks Division during the fiscal year.

Soil and Water Conservation

The Division of Soil and Water Conservation has five units: Director's Office, Nonpoint Source Programs, Conservation Districts and Support Services and Programs, Chesapeake Bay, and Southern Rivers Watersheds.

The Director's Office manages the Division's fiscal resources, provides policy and planing direction, and oversees the program areas.

The Nonpoint Source Programs Section coordinates the Department's role as the lead nonpoint source pollution control agency and seeks to reduce nonpoint source pollution related to changes in land use. Programs administered by the section include: Erosion and Sediment Control, Storm Water Management, Nutrient Management, Data Management and GIS, Nonpoint Source TMDL Development and Grants Management.

The Conservation Districts and Support Services and Programs Section provides administrative and financial management support to 46 local soil and water conservation districts. Soil and Water Conservation Districts are political subdivisions that operate at the county or city level and pool local, state, federal, and private resources to protect and preserve natural resources and reduce nonpoint source pollution from agriculture and urban activities. Other programs administered by the section, such as the Agricultural Incentives Best Management Practices Program, the Shoreline Erosion Advisory Service and Streambank Stabilization, and Floodplain Management seek to reduce nonpoint source pollution and protect life and property through volunteer incentives and technical assistance

The Chesapeake Bay and the Southern Rivers Watersheds Sections have technical staff located in nine regional watershed offices. Staff actions target efforts to reduce and prevent nonpoint source pollution. Regional staff work closely with local governments and organizations on the planning and implementation of programs to improve the quality of soil and water resources.

Dam Safety

The Division of Dam Safety administers the Virginia Dam Safety Act using regulations issued by the Virginia Soil and Water Conservation Board. The Division conducts a certification program to monitor approximately 486 dams throughout the Commonwealth. The Department has the authority to cause the lowering or drainage of any dam determined to be unsafe.

Natural Heritage

The Division of Natural Heritage inventories the Commonwealth's threatened, rare and endangered plants, animals, and natural areas, and provides data for conservation and natural resource decisions. The inventory program is part of an international network of Natural Heritage programs and Conservation Data Centers in all 50 states, Canada, and 13 countries of Latin America. Natural Heritage maintains site-specific data on over 8,000 locations for Virginia's 1,650 rare species and natural communities. Natural Heritage manages 28 natural area preserves.

Natural Heritage acquires land for natural areas with bond funds, donated funds, grants, and funds from the state income tax check-off system. State natural areas provide statutory protection against conversion to alternate uses.

The Virginia Registry of Natural Areas, a non-binding, non-regulatory program, recognizes property owners who voluntarily act to safeguard natural areas. Through its Stewardship Program, Natural Heritage conducts land management activities with landowners.

Planning and Recreation Resources

The Division of Planning and Recreational Resources provides short and long-range planning for the development and use of natural and recreational resources. The Division prepares the Virginia Outdoors Plan every five years. The Virginia Outdoors Plan, an outdoor recreation plan, provides guidance in acquiring, protecting, and developing recreational and open space resources. The plan assesses current outdoor recreation areas and facilities, and determines the existing needs and who is responsible for developing them.

Currently, the Division is developing the 2001 Virginia Outdoors Plan. The Division completed an inventory of public and private outdoors recreational areas and facilities in November, 1999. The Division began reassessing the public's attitude towards open space and recreational opportunities and mailed out 9000 surveys to Virginia households on January 1, 2000. A contractor is tabulating the survey returns and will prepare and deliver the final survey results to the Department in April, 2000. The Division plans to put all survey information in the draft plan scheduled for release in September 2000.

For the past several years, the primary source of funding for projects approved by Planning and Recreation Resources has been the \$95.3 million general obligation bond issue of 1992. These bonds have funded land acquisitions for state parks and natural areas, as well as existing facilities' improvements. As of June 30, 1999, the Department expended or obligated \$88,524,294 of the bond funds. At fiscal year-end, 26 projects were either in the design or construction phases.

Administration

The Administration Division provides executive management, human resources, information systems, procurement, and public information support to the Department.

Testing of Program Changes

The Department failed to test program changes before implementation into the Integrated Decision Support System (IDSS). Because Information Systems staff lacks sufficient expertise to implement system changes or enhancements, an outside consultant maintains and upgrades IDSS. Whenever Department staff identify needs for program changes, the consultant researches the problem, develops and then tests the program change. When the consultant believes the change is complete, the consultant sends the program change by e-mail, where the Department implements the change without further testing.

While Information System's staff may not have the technical expertise to create program changes, they can review and test such changes before implementation. Testing and reviewing program changes in-house could significantly decrease the chances that the program changes would not perform as designed or needed.

Recommendation #1

The Department should develop and implement procedures to adequately test changes to the Integrated Decision and Support System before implementation.

Finance

The Finance Division does payroll and grant accounting, maintains petty cash, and sets financial reporting policies and procedures.

FOUNDATIONS

Virginia State Parks Foundation

The Virginia State Parks Foundation assists the Department in conserving the state's parks and natural areas. The Foundation accepts gifts of money, securities, or other property designated for conserving and maintaining Virginia's parks and natural areas. The Department of Conservation and Recreation processes the Foundation's financial transactions and maintains the accounting records. The Department also prepares the Foundation's financial reports and board minutes.

In fiscal year 1999, the Foundation received \$71,417 in contributions and interest revenue and spent \$49,567 for various projects and events. Foundation investments in the Local Government Investment Pool with the Treasurer of Virginia totaled \$35,079.

Virginia Outdoors Foundation

The Virginia Outdoors Foundation promotes the preservation of open-space lands and encourages private gifts of money, securities, land or other property to preserve the natural, scenic, historic, scientific, open-space, and recreational areas. The Foundation processes its financial transactions and maintains the related accounting records.

During fiscal year 1999, the Foundation's received a total of \$397,759 in general fund appropriations (\$200,000), contributions (\$57,719), interest (\$85,089), and miscellaneous income (\$54,951.) The Foundation spent \$420,380 for salaries, wages, and various projects. The Treasurer of Virginia maintains the Foundation's investment of \$1,741,232 in the Local Government Investment Pool.

Properly Record and Report Financial Information

The Foundation did not record land transactions timely. We found two unrecorded land transactions, one from December 1996 and the other from December 1998 overstating land by \$24,890. We determined that the correct balance in the account at June 30, 1999 should be \$5,226,050.

Recommendation #2

The Outdoors Foundation should record all financial activity in the accounting records accurately and timely. Finally, the Foundation should adjust the accounting records to reflect the correct balances at June 30, 1999.

Virginia Land Conservation Foundation

The Virginia Land Conservation Foundation purchases fee simple title to or other rights, interests, or privileges in property. These purchases allow the Foundation to protect or preserve the ecological, cultural, or historical resources, lands for recreational purposes, state forest lands, and lands for threatened or endangered species, fish and wildlife habitat, natural areas, agricultural and forest lands, and open space. There was no financial activity related to this foundation for the fiscal year ended 1999.

DEPARTMENT OF CONSERVATION AND RECREATION
Richmond, Virginia

David G. Brickley
Director

VIRGINIA STATE PARKS FOUNDATION

William C. Crane, III
Chairman

VIRGINIA OUTDOORS FOUNDATION

Mr. Paul G. Ziluca
Chairman

VIRGINIA LAND CONSERVATION FOUNDATION

John P. Woodley, Jr.
Chairman